

FINANCE AND THE FAMILY

How to track the best performers

Beating an index may seem an elementary challenge for a fund manager, says Scheherazade Daneshkhu, but there are alarmingly few who meet it

Trackers aim to deliver the returns on an index through a variety of methods. In the UK, most tracker funds aim to follow the FT-SE 100. But there are others which track FT-SE 100 companies, the mid-500 and smaller companies indices. Most trackers are unit trusts but investment trusts also offer ways of following an index.

Unit trusts
Compared with other unit trusts, tracker funds have done surprisingly well. Table 2 shows that in the three years to April 1, the FT-SE 100 index grew by more than 45 per cent while the average unit trust in the UK equity general sector, the home of UK trackers, rose by 26.8 per cent. All the trackers listed easily beat the average and the same holds true for the trackers with a five-year record.

A fan of index funds

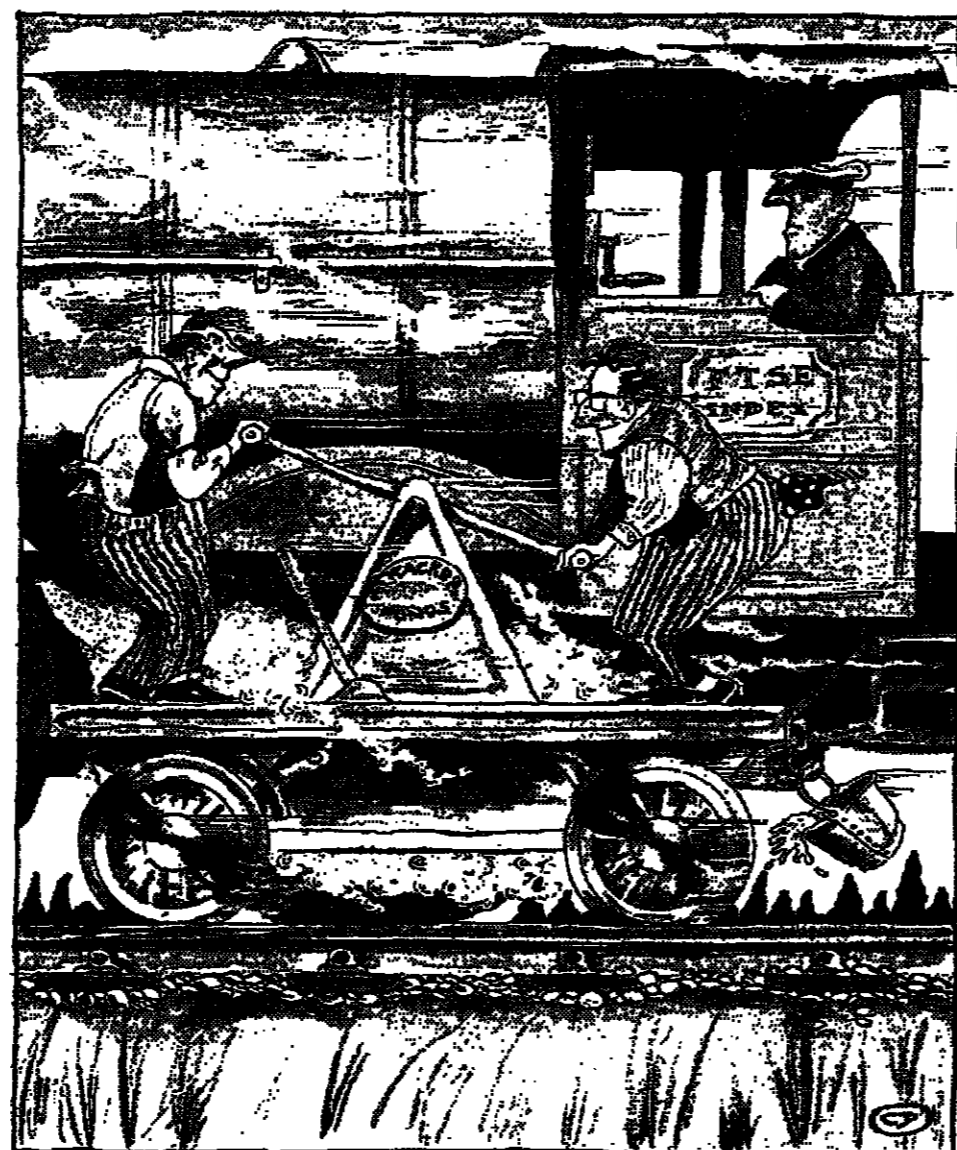
John Bogle, chairman of the \$125bn Vanguard group of funds in the US, is a fan of index funds. In his book, *Bogle on Mutual Funds*, (Irwin Professional Publishing, New York, \$25) he argues that the fees charged by many mutual funds are too high, particularly since they have attracted increasingly large sums of money in recent years. By investing in an index fund you avoid these high charges. Bogle believes history shows that index funds will consistently do better than individual managers with comparable objectives.

A tracker holds many advantages for the private investor, not least a drastic reduction in their choice of 1,500 funds or so, and lower charges.

Table 1 lists the main trackers. With the exception of Gartmore, the initial charge on most is at the lower end of the industry average of between 5.50 per cent and 6 per cent. Gartmore eliminated its initial charge altogether in 1992.

More importantly, annual charges are well below the 1.5 per cent which most unit trust investors expect. Many of the funds' annual charge is a fraction of this, at 0.5 per cent or less, with some of the James Capel and John Govett funds at 1 per cent and Norwich Union's international index tracker at 1.25 per cent. While an initial charge can be made up over time, a high annual charge is more detrimental to a fund's performance and to an investor's returns.

But how well do the trackers deliver what they promise? None can match the index because of their charges - this is clearly illustrated in the one year performance figures in Table 2 which show the trackers falling further behind the FT-SE 100 than over three and five years.



Investment trusts

There are only a few investment trusts which track indices in a similar way to unit trusts. These include Edinburgh Fund Managers' Malvern UK trust, which tracks the FT-SE 100, and Hoare Govett, which tracks the FT-SE 100 and the FT-SE 1000.

The costs of investing through an investment trust are those you would usually pay when buying shares - stamp duty, stockbroker's commission and the bid/offer spread - but there may also be a small annual management fee.

Malvern, for example, charges an annual fee of 0.25 per cent and the administrative expenses of the trust, which come off the investment income, are about 0.4 per cent per annum.

However, John Spiers, of Best Investment, is not an enthusiast: "Someone who wants a tracker wants predictability but with an investment trust, you have the added problem of the discount or premium." The price of shares in an investment trust is set by supply and demand and so it does not necessarily corre-

spond with the asset value of the trust. When the supply of shares exceeds demand, trust shares tend to trade at a discount to the asset value.

The investment trust sector does have an alternative. Some trusts have issued loan stock (see Table 3) which has a prior charge on the trust's assets.

The loan stock is dated but instead of being redeemed at par, it will be redeemed at the level of the index. There is also a dividend, usually in line with the All-Share. Nigel Sidebottom, of stockbroker Gerrard Vivian Gray, says: "They are a pure tracker because no replication is required - what mat-

Table 1: Unit trust tracker funds

Manager	Fund name	Index tracked	Minimum inv (£)	Initial charge%	Annual charge%	Peg qual?	Sav sch?
Gartmore	UK Index	FT-SE 100	5,000	0	0.5	Yes	Yes
James Capel	UK Index	FT-SE 100	1,000	5.25	0.5	Yes	Yes
	Footstep fund	FT-SE 100	1,000	4.175	1.0	Yes	Yes
	JC Trade	FT-SE 100	1,000	5.25	1.0	Yes	Yes
	Eurotrack 100	FT-SE Eurotrack100	1,000	5.25	1.0	Yes	Yes
	JP American	S&P 500	1,000	5.25	1.0	No	Yes
	JP Japan	FTSE World Japan	1,000	5.25	0.5	No	Yes
	JP Tiger	FTSE Asian	1,000	5.25	1.0	No	Yes
John Govett	FT-SE mid 250	FT-SE mid 250	3,000	3.5	1.0	Yes	Yes
	Geared UK Index	FT-SE 100	5,000	5.25	1.0	No	Yes
	UK Index fund	FT-SE 100	2,000	4.5	1.0	No	No
	US Index fund	S&P 500	2,000	4.5	1.0	No	No
	European Index	FT-SE Eurotrack100	2,000	4.5	1.0	No	No
	Japan Index	Nikkei Dow-Jones 225	2,000	4.5	1.0	No	No
	Hong Kong Index	Hang Seng	2,000	4.5	1.0	No	No
Legal & General	UK Index	FT-SE 100	1,000	5.0	0.5	Yes	No
	US Index	FT-SE 100	1,000	5.0	0.75	No	No
	European Index	FT-SE Eurotrack100	1,000	5.0	0.75	Yes	No
	Japan Index	FT-SE Asian	1,000	5.0	0.75	No	No
Morgan Grenfell	UK Index	FT-SE 100	1,000	5.0	0.75	Yes	Yes
	US Index	FT-SE 100	1,000	5.0	0.75	No	Yes
	Japan Index	FT-SE Asian	1,000	5.0	0.75	No	Yes
Norwich	UK Index	FT-SE 100	5,000	6.0	0.2	Yes	No
Proton	UK Index	FT-SE 100	5,000	6.0	1.25	No	No
Union Capital	All-Share	FT-SE 100	500	5.5	0.75	Yes	Yes
Royal Life	UK Index	FT-SE 100	25,000	5.25	0.3	No	No
Swiss Life	UK Index	FT-SE 100	500 units	6.0	0.5	Yes	No

Table 2: How trackers perform

Fund name	1 year	3 years	5 years
FT-SE 100	14.3	45.3	73.5
Gartmore UK Index	12.1	41.7	70.6
Norwich UK Index tracking	8.7	36.1	-
Legal & Gen UK Index	7.5	-	-
Royal Life Index tracking	6.9	34.2	55.8
James Capel UK Index	6.1	32.2	-
Morgan Grenfell UK Index	6.0	31.8	58.7
Swiss Life UK Index track	4.7	34.6	-
Proton UK All Share	3.8	-	-
Av UK equity gen unit trust	5.7	26.8	42.7

Source: Mifcor. Percentage growth to April 1 1994. Offer to bid, not income reinvested.

Table 3: Equity index loan stock

Investment trust	Number in issue (m)	Price (p)	Year of redemption
British Assets	140.9	156.5	2005
Broadgate	2.2	162.5	2007
BZW Convertible	17.2	157.5	1998/2002
Scottish American	49.5	150.0	2004
Selective Assets	21.2	156.0	2013
FT-SE 100 All Share @ 25/4		1580	

Source: SG Warburg Securities. Spot bid track the FT-SE 100 All-Share, 1st April 94.

The table shows the main loan stocks which track the FT-SE 100. To make comparisons with the index easier, the trusts set the asset value at 2 pence (in pounds) arrived at by dividing the level of the index by 1000. Prices of the stock listed are all reassuringly close to that of the index. Since loan stock can only be bought in a relatively small market, it may trade at a discount or premium to the index. If you buy stock at a discount and hold it to redemption, you can expect outperformance of the index (assuming the loan stock is paid in full). However, a discount can be an indication of greater risk.

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FINANCE AND THE FAMILY

A saga that goes on for life

Alison Smith with a question and answer session on life insurance agents and the disclosure of information to customers

The saga of forcing life insurance sales agents to volunteer more information to their customers has now been running for longer than some of the life policies being sold when the Office of Fair Trading first urged disclosure in 1987.

But progress is being made. In last Thursday's episode, the Securities and Investments Board, published the rules for how and when sales agents must volunteer the information, along with examples of what material they should provide to prospective customers.

Research which SIB published at the same time, estimated that the move to commission disclosure would benefit customers by £1bn a year when the full effects were felt - more than the extra costs faced by the industry.

What did the SIB actually do? It published examples of the short, stand-alone paper which sales agents will be obliged to give their customers, along with whatever other sales material they hand out.

On the first page, this paper must state the aims and risks of the policy, as well as the commitment the customer has to make.

It also tells customers what happens if they give up early on a long-term policy, and what the sales agent is getting paid for advising the customer to buy the policy.

What difference will this make to me, the customer?

At the moment, sales agents do not have to volunteer some of the information set out in the paper. It should mean that you are better placed to decide whether you really want the policy or whether you think it is too expensive for how you might benefit.

But isn't life insurance too complicated for everyone except accountants and actuaries?

Not in terms of the sort of information that would be helpful in deciding whether you want to buy life cover. This new paper - the "key features" document that sales agents will have to provide - is pretty jargon-free, and has no small print or footnotes. It has been devised after three rounds of market research to see what is the best way of giving people this information, and is relatively straightforward.

Most recent research showed that even people who classed themselves as not good with numbers - or who admitted they found buying life insurance a bit nerve-wracking - found they could understand most of the paper's main points. And that is before the final revision to make it clearer still.

Will I be able to trust the figures in this paper about what the policy I might buy would yield?

No. They simply give examples of what you would get back from your policy after, say, 10 years assuming particular rates of growth. They are not a guarantee. What you get back would depend on how your investments had grown.

Life companies will have to use the same rate of growth for these illustrations, so you should be able to make a reasonable comparison, but the performance of different life companies' investments can vary.

Sales agents will doubtless be only too happy to explain how well the investments they are recommending have performed in the past, although they should make the point that past performance is no guide to the future.

Do I have to do anything to get this key features document?

You do not have to do anything when you are talking to the sales agent - he or she is meant to give you this information without you asking. But, if the system is to work in terms of putting pressure on life companies to cut their charges, then you should be prepared to shop around and compare prices.

Many life companies have argued that their policies have to be sold and are not just bought, because people are so reluctant to think about

making provision for what happens when they die or when they retire. Regulators believe that people are sophisticated enough to make informed choices about what policies they buy. If the new regime of disclosure is to have its intended benefit the regulators will have to be right.

When will I get this information?

During the course of a sale, you should be given the key features paper as soon as you are seriously considering taking out a policy. If, for example, you have come as far as discussing a particular company's product with a sales agent, then you should have been given this paper. It should not wait until you are just about to sign a form agreeing to buy the product.

As for when the new regime itself will come in - well, there is still a bit of a wait. Life companies have been given until the beginning of next year before all of this becomes compulsory, and until the middle of next year before they are obliged to give you detailed figures which are entirely related to your own circumstances and the policy you are thinking of buying.

In theory, companies can adopt the new requirements from the beginning of July, but do not hold your breath expecting that most will meet that deadline.

Why has it taken so long?

Many in the life industry have vigorously resisted disclosure proposals, saying that they would lead to "underprovision" - a drop in sales - lower charges, and asserting that customers did not want the information.

They also said it would be unfair to make only independent financial advisers provide this information, and that it would be too difficult to do the calculations for a fair comparison with, for example, banks and building societies selling life products.

It was only when the Treasury started hanging heads together last July, and insisting that all sales agents should disclose commission, surrender values and other information, that the proposals seemed inevitable and much of the serious task of making them work started.

So what are the life companies going to do about it now?

On past form, they will carry on moaning about how unnecessary it is even after the new regime has been introduced. They are also likely to re-design at least some of the policies they sell, to make them more attractive in the regime of *glasnost*.

For the most part, this will mean finding ways of spreading the commission more evenly over the life of the policy, so the customer's initial payments are not so taken up just with paying for the advice. It has the added advantage of giving the sales agent more of an interest in selling policies that are less likely to lapse early.

Will I get a better deal?

Perhaps. Products will not become any less risky just because the way of paying for those who sell them has changed. But you should be able to get a clearer idea of the extent of the risk you are running - and see how much you lose if you give up early on a long-term policy, or give up in the penultimate year, just before a bonus is paid.

According to research commissioned by SIB, the new regime's impact will make competition fiercer. This should mean that commissions will come down - although they could fall a long way and still be higher than when there was an industry-wide agreement about the maximum commission that could be paid.

It should also mean that some of the less efficient companies find it too difficult to survive in this new environment and close, leaving the market to the organisations that are better-run.

If it is going to have such a good effect, why haven't the life companies adopted this approach before?

Why not ask them?

If you become old and frail, whom do you expect to look after you? And whom do you expect to pay for the care?

Recent research by PPP Life-time, a provider of insurance to pay for long-term care for the elderly, shows that there is a wide gap between people's expectations of care in their old age, and what is likely to happen.

PPP's survey found that only 18 per cent expected to pay for their own care, whereas in fact more than 80 per cent of elderly people in residential care contribute to its cost.

There was a widespread feeling that as people had paid taxes all their lives, the state would provide. The reality is that state help is means tested, and anyone with savings and assets above £3,000 will not receive much state support.

In developed societies, people are surviving longer, but are often incapacitated in their final months or years. Relatives are less likely to be willing - or able - to look after them, as more women are working, more marriages end in divorce, and families are scattered over wider areas.

The number of elderly people will rise sharply over the next few decades: in 20 years' time, there will be 50 per cent more people over the age of 85, and

fewer people of working age to care and pay for them.

The UK's response to impending need lags behind that of some countries. In Germany, for example, the government recently introduced a 1 per cent extra tax to pay for long-term care.

A paper in the Consumer Policy Review this month says: "The general picture is one of the state reducing its commitment to open-ended financing of long-term care. As people become more aware of this, they may become more receptive to the idea of pre-funding their own care."

The paper says possible ways of funding care include: pensions - but the government has banned the only pension scheme which made direct provision for care needs; general savings - an inefficient method; raising funds from housing assets - this has possibilities, but not all elderly people are home owners; or insurance products.

Long-term care insurance has been available in the UK only for the past three years or so; the number of policies sold represents a tiny proportion of the potential market.

But it is already proving its worth: last month PPP started paying its first claimant, a man in his mid-60s who took out a policy a few months ago. He

has since suffered a stroke, leaving him unable to carry out a number of the "activities of daily living", such as bathing and eating unaided, on which claims are assessed.

PPP says its main buyers are 65- to 75-year-olds, but there are signs of interest from the sandwich generation - middle-aged people caring for parents and children.

Commercial Union, another of the main care insurance providers, says two-thirds of its policyholders are women, and two-thirds are over 60, many single or widowed. According to CU, the peak buying times are between 60 and 65 - ie around retirement time, when many people will have lump sums to pay for single premiums - and for women, in their 70s, often when they are recently widowed.

But it is not just single people who should consider making provision for their care needs. Married couples cannot afford to assume that they will be able to look after each other - a frail 80-year-old is unlikely to be able to lift a marginally frailer spouse of the same age into their bed or bath.

Usually it is not necessary to cover the entire amount of £20,000 a year or so needed to pay for full-time nursing home care - just the shortfall between available income and



the cost of a nursing home.

Comprehensive policies pay a reduced amount if you become mildly incapacitated and need part-time care at home. Most allow you to use up to half the annual sum insured to pay for home alterations, such as stair-lifts.

A woman wanting £10,000 a year of top-up cover for both mild and severe disability, increasing by 5 per cent a year, would pay £55.80 a month if

she took out a Commercial Union policy at age 45, £73.80 at age 55, or £110.90 at age 65.

A man would pay £37.70, £53.30, or £76. A glance around the female-dominated sitting room of any nursing home is enough to explain women's higher premiums.

Excluding mild disability, or not allowing for inflation, will reduce premiums. You can also pay a single premium: a 65-year-old man would pay

£11,006.54 for the cover above, while a woman of the same age would pay £20,685.58.

The earlier you take out a policy, the cheaper it is, as premiums do not rise with age for existing policyholders. Obviously, you may pay more if your medical history presents a higher risk. However, once you have a policy, new medical problems will not affect it.

Bethan Hutton



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Ian Rodger goes to the Basle fair

Nicolas Hayek, the flamboyant chairman of SMH, the leading Swiss watches group, set last month's annual European Watch, Clock and Jewellery Fair in Basle off with a bang.

Hayek brought in Neil Armstrong, the astronaut who landed on the moon in 1969, to help promote Omega, one of SMH's many watch brands. Armstrong wore an Omega Speedmaster chronograph watch on his historic mission.

Together with two other astronauts, Hayek and Armstrong sat at the Omega stand and tried to have what was billed as an intellectual discussion about time and the cosmos for 1½ hours.

With the jostling of photographers and some banal initial questioning by the moderator, the so-called Omega Forum was unlikely to live up to its billing, but amid tough competition it attracted attention. Indeed, it was difficult, even without a media event, to

maintain focus in this Aladdin's cave that the Basle Fair has become. Although quaintly titled "European", it has long been the most important trade fair for the world's watch and clock makers.

This year, 562 exhibitors from 15 countries participated in the watch and clock section. Officials claimed that about two thirds of world trade in these products would be initiated there.

Products ranged from an 18-carat gold skeletonised chiming watch from Vacheron Constantin, worth about £400,000, to arrays of plain kitchen electric clocks.

The main message from the fair this year was the restored prosperity of many Swiss watchmakers. Companies such as Breitling, Tag Heuer and Oris, on their knees a decade ago, were confidently displaying new products on lavish stands. Tag, for example, claims to have raised its turnover tenfold in the past decade. Oris to have doubled its sales since 1983.



Omega at the Athens Olympics: the company is now back at Basle

This recovery is closely linked with the resurgence of demand for mechanical watches, both automatic and manual, following the onslaught of quartz models in the 1970s and early 1980s.

The Swiss excel at making mechanical watches, and the recovery shows up most dramatically in the Swiss statistics. Last year, the value of Swiss watch exports reached SF7.6bn (£3.6bn), double the level of a decade ago.

For mechanical watch devotees, the Basle fair offered a feast of new and revived designs, with ever more impressive complications.

One of the more remarkable was a reversible model from Jaeger-LeCoultre with a functioning watch on each side, the so-called Reverso Duo. Each watch operates independently but both are powered by the same movement.

Other unusual collectors' items came from Chronoswiss, a 10-year-old company which, in spite of its name, is based in Munich. It specialises in reproductions of antique watches, many with regulator mechanisms, in which the main face has only the minute hand while the hour hand appears on a smaller superimposed face.

In the realm of eye-catching gimmicks, it would be difficult to beat Blancpain's proposal to construct erotic action scenes on the backs of its elegant watches. For its ladies' models, the company has also developed a mechanism for easily changing armbands to match the wearer's clothes.

These and many other fantasies could be found mainly in hall 101 at Basle, the so-called Prestige Hall reserved for the glitterati of the world watch business.

But the renewed popularity of mechanical watches has gone down-market as well. The determinedly middle-market Oris has brought out models with complications in the less-than-£1,000 price range.

At the regular press conference of Japan's Citizen Watch,

an official said the complexity of many multi-function watches had gone too far, and predicted that models would become more user-friendly. However, one of the watches Citizen introduced at the fair, the Promaster Navitimer, may well have set a record for the number of dials and letters that appear on a single watch face.

The fair was again notable for its distinguished absentee, including Swatch and some other companies in the SMH group, and the companies in the Cartier luxury products group. SMH withdrew seven years ago after a row over space, but Omega, an SMH company, returned last year and brought Longines with it this year. The group's policy henceforth will be to have Omega and one other brand represented at the fair each year.

Cartier, Piaget and Baume & Mercier pulled out three years ago because the event was not exclusive enough. As a Cartier executive put it at the time: "Our clients do not like the smell of sausages." They started their own more exclusive annual show, the Salon International de la Haute Horlogerie, in Geneva, which runs concurrently with the Basle fair and which they claim has already established itself.

Basle officials observed that the Cartier defection has not been followed by others from the Prestige Hall. Also, a couple of the Cartier brands, Dunhill and Gerald Genta, have kept their stands in Basle.

Philippe Levy, the chief executive of the Basle fair organisation, departed in December after the city fathers vetoed a plan to build a regional exhibition centre together with neighbouring French and German communities.

Fair officials insisted that the parochialism implied by the decision would not extend to their exhibition policies. Indeed, the name of the Watch Fair would finally be changed next year to the "World Fair for Watches, Clocks and Jewellery".

But it was bad news for the 500 odd watch and jewellery companies still waiting for space in the fair's existing cramped quarters.

ALFRED DUNHILL



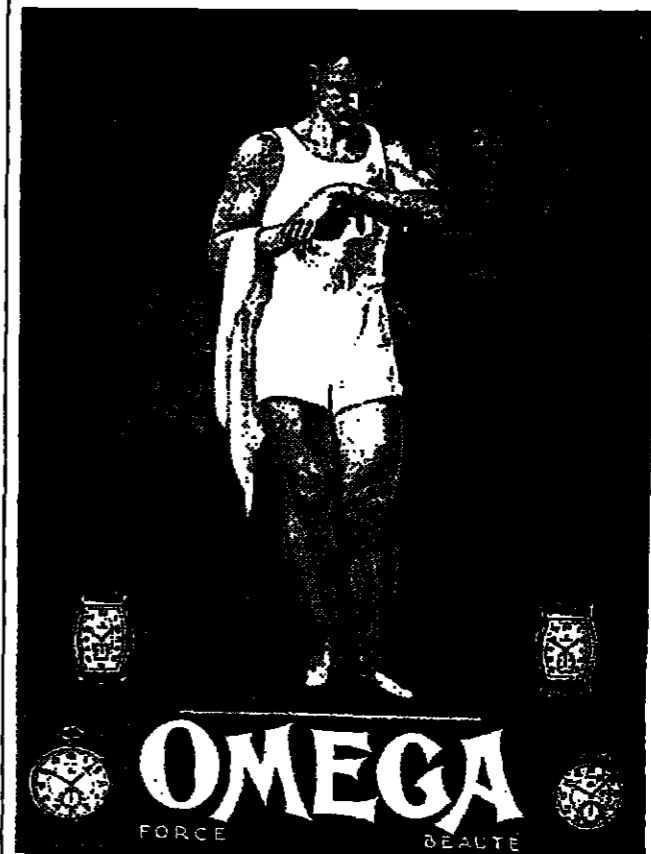
Photograph shows Dunhill water-resistant steel and 18ct gold watch with sapphire glass - essential for the gentleman plotting a voyage. Once underway, however, another timepiece may also come in handy.



The Times, London, 16th October 1993.

Available at: Alfred Dunhill stores, Harrods, Selfridges, Watches of Switzerland Ltd., The Goldsmiths Group and leading jewellers.

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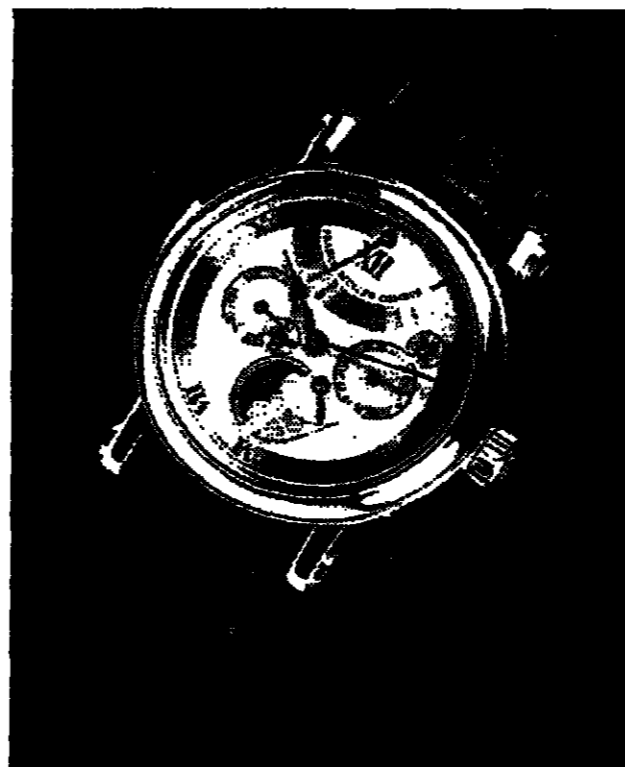
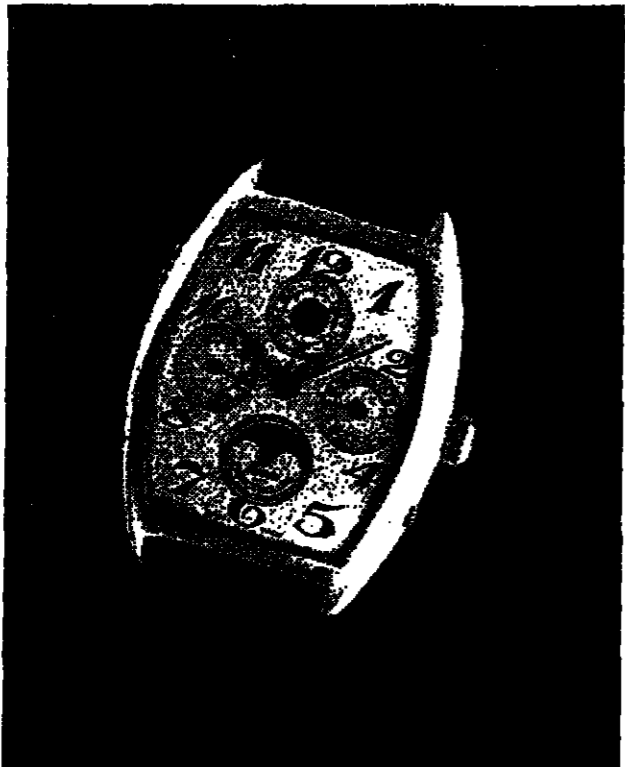
Olympic ideal? Advertising poster made for the 1932 Los Angeles games



A craftsman works on an erotic watch from Blancpain's Pate collection

CLOCKS, WATCHES AND JEWELLERY SURVEY

The changing faces of fashion



Time is money (from left): Franck Muller perpetual calendar watch SF24,800; Chronoswiss Tora dual time-zone watch, £1,650-£4,800; Tourbillon movement with minute repeater and perpetual calendar by Muller, SF25,000; Patek Philippe perpetual calendar £25,910

There was a time when watches existed independently of fashion. Men or women customarily received an important watch to mark their 21st birthday and, other than the addition of a dress watch, they continued to wear the same timepiece.

However, the watch has become a fashion accessory. "Today the norm is to have many different watches for several different functions: a classical watch for smarter events and evening, a fun watch that can be worn casually at the weekend and sports watch to wear in the office which, although being a diving watch or chronograph, will never go near the water and have nothing more important to time than seconds on a parking meter," says Matthew Cundy, sales manager for Cartier.

But what of trends? Although flashy watches, bristling with precious stones, remain popular in the middle and far east, the general movement, like fashion itself, is far from the ostentatious typical of the 1980s. "It is no longer important for your wrist to show everyone how successful you are. All that matters is that you know," says Cundy.

Frank Edwards, of the Federation of the Swiss Watch Industry, agrees. "Watch makers have latched on to a need to get away from the avaricious 1980s and a yearning towards a more romantic, stable and attractive past."

To this end, Cartier has designed a charming Art Deco range, made from materials such as black enamel and diamonds. Franck Muller, a new-

ish, clever Geneva watchmaker, has produced a range of wristwatches called Casablanca. You must go to Switzerland to buy them.

Nostalgia manifests itself in two ways. First, the mechanical watch, which only a few years ago was threatened with extinction by quartz, has fought back. It accounts for 12 per cent of volume and 48 per cent of value of all Swiss watches sold. Chris Parks, of Chronoswiss, a brand of watches with customised movements that has enjoyed great success since its introduction to Britain a year ago, says: "Why buy something that has been stamped out on a production line, when you can have a watch that has been made by craftsmen?"

Secondly, there has been a renaissance of watches that were popular in the inter-war years. "Improved technology

John Morgan looks at the latest design trends in timely accessories

has meant that square watches are ripe for a relaunch, because the glasses are now made of sapphire crystal, which does not fall out and protects against dust and damp," says Parks. All the leading brands have them.

Patek Philippe, which makes some of the most beautiful watches, has a chronograph in a tonneau case with a perpetual calendar and, for women, a rectangular Gondolo watch with an elegant bezel paved with diamonds.

Cartier produces its famous "tanks", including the new Tank OBUS which features Roman numerals and a crown set with a cabochon sapphire. Jaeger-LeCoultre offers Reverso Duo, which has two back-to-back dials, showing times in different zones.

Franck Muller has devised his own version of the tonneau, known as a curvex,

which houses intricate mechanisms. Grand old Breguet has a super tonneau and Audemars Piguet delights with a 1940s-style square wristwatch in 18-carat gold. More affordably, there are tanks from Gucci, Maurice Lacroix, which offers designs for men and women in a curved shape that fits the wrist perfectly, and Oris, which has created a handsome model in gold, steel, and gold plate to mark its 90th birthday.

Metal colours are also changing. There has been an increase in the number of watches made in white materials such as steel, white gold and, even the expensive and notoriously difficult to work, platinum. Omega has a limited edition of 50 beautiful platinum watches to mark the 25th anniversary of man's first step on the moon. Baume & Mercier offers the Hampton, which has a curved, polished, stainless

steel case and matching bracelets. Zenith sells a range of steel chronographs which are modestly priced but good looking.

However, for all the purity of white metals, it would be a mistake to believe there is no colour around. Coloured faces - particularly a certain shade of Royal blue - abound and add an individuality to any watch.

Coloured straps are also in abundance - reflecting the trend for buying an assortment of straps with a watch. Breitling, makers of pilot watches, is offering colours that must have found their inspiration in a sweet shop.

The most colourful watches are, of course, the cheap, fun throwaway ones. Swatch, which can be credited with persuading people to have a wardrobe of watches, still dominates. The new collection includes pop-outs, scuba - for

underwater sports, stop-watches and an alarm to wake you up with a jolly tune. A brand to watch is Mondaine, which offers many fun designs including the award-winning Swiss Railway clock watch, the brightly-coloured M-Watch and an interesting little number based on a yoghurt pot.

Sport continues to assert the same directional influence on watches as it has on fashion. "Cultural and social changes such as increased leisure time and emphasis on looking sporty and dynamic have contributed to an explosion in sales," says Duckworth. He introduced Tag Heuer to Britain a decade ago and can boast a seven-fold increase in turnover. He says people are spending more on sports watches and has introduced a new 18-carat gold addition to the 6000 range. Also, more women, according to Duck-

worth, are buying sports watches and he has a new automatic which manages to look both sporty and smart.

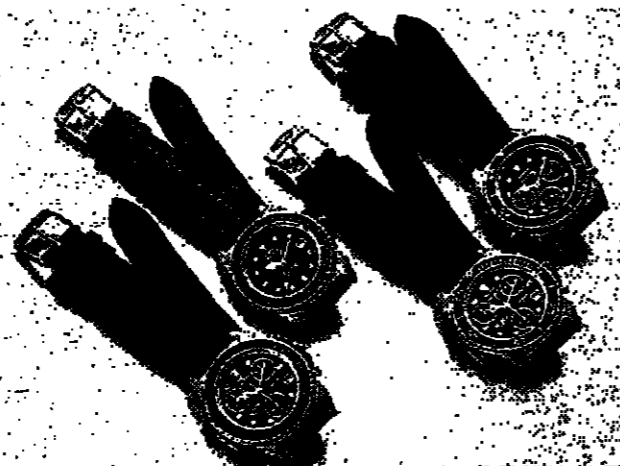
Adidas, known for its sports equipment, has launched a range of timepieces, including functional and rugged models designed for tough sports, classical chronographs, water-resistant to 200 metres, and a set of inexpensive sporty leisure watches.

Sector, which specialises in watches that perform well in extreme weather conditions, has the new Underlab STE, which boasts an extremely strong steel/fibre glass case and is available in four versions including two chronographs. Ebel offers the handsome Sportswatch Chronograph: robust and functional, it times performances on three registers to a tenth of a second, gives intermediary times, has a tachymeter and is available on

either bracelet or leather strap. Even Dunhill, that most sedate of companies, known more for its period watches, has shaped-up with the Londinium, which, although designed to be worn at all times, has a particularly sporty appearance and is available in four sizes in steel, steel combination and 18-carat gold.

Finally, if you are looking for something completely different, why not invest in the latest trend - erotic watches. Hublot, better known for discreet little timepieces in enamelling illustrations of the Karma Sutra on its watches, while Blancpain, that outwardly most understated of watchmakers, has a range that features couples (all proclivities catered for) copulating with all moving parts (literally). The designs are so explicit that I am told the watches might soon be banned.

John Morgan is associate editor of GQ Magazine



Time and tide: Sector underwater watches, £125-£200

Last autumn Patek Philippe, a leading Swiss watch house, issued a collectors' watch on classic lines. The watch was to celebrate the 150th anniversary of the appointment of Garrard's, of London, as crown jewellers and was available only through Garrard's.

It was limited to 150 pieces in rose gold with a rose gold dial and the glazed back revealing the self-winding movement with engraved pivoted rotor weight.

Priced at just under £3,000, it sold out in under two months, providing confirmation, if any were needed, of the health of the retail wristwatch market, especially for watches with collector appeal.

Serious collecting of wristwatches is still a comparatively new phenomenon. A little history puts this in context. Having started out in the mid-1800s as women's bangles, with a timepiece concealed behind a hinged cover, wristwatches were originally considered effeminate. But during the first world war, the prejudice was overcome by the convenience of wearing a watch on the wrist, rather than carrying it in a pocket.

The spread of the car sealed the popularity of wristwatches for men and there was even a model developed - the Driver's watch - that curved to fit the wrist so that time could be read with both hands on the steering wheel.

Initially, most people owned just one watch, acquired at some significant moment such as a 21st birthday, and it was the best that could be afforded. Of course it had to be Swiss.

When the quartz watch arrived in 1975 it was dismissed by the Swiss watch houses as beneath them. Cheap quartz watches, made in vast quantities, especially in Hong Kong, Taiwan and South Korea, soon grabbed a sizeable slice of the world market and the Swiss watch industry was heading into crisis. It is said that 60 per cent of the Swiss watch labour force was laid off for good.

But the very cheapness and impersonal, mass-produced nature of these early quartz watches - mostly digital - bred a reaction in the buying public. By 1980, analogue dials with conventional faces and rotating hands were again heavily in demand.

Although a ready source of traditional watches was found in the rapidly expanding secondhand market, the Swiss watch houses responded by going either down or upmarket.

Marques such as Accurist, Avia, Rotary, Tissot and Longines embraced quartz in order to produce a reasonably cheap analogue watch. Others, such

Collectors' items

Richard Garnier on the rebound of the wristwatch

as the big five - Patek Philippe, Rolex, Vacheron Constantin, Audemars Piguet, Jaeger-LeCoultre and IWC - stayed upmarket. They also dug into their history and put back into production some more complicated classic models that had started to command high prices in the secondhand auction market.

There are still two markets and retail sales have remained remarkably buoyant.

The focus is on highly complicated pieces with multifarious features such as perpetual calendars allowing for leap years and minute repeating actions. These are long in the making and cannot keep up with demand. At the Basle fair this month there was great interest in new models from retailers encouraged by sales increases.

At auction, comparisons can be made with the top of the market in 1990.

Prices fell by between 25 and 30 per cent across the board. Some fared even worse: Tina Miller, of Sotheby's, quotes the example of a typical chronograph (zeroing stopwatch) that would have made £18,000-£20,000 then but now commands only £8,000-£10,000, even though the market bottomed out towards the end of 1992, around Black Monday. Again, world time-indicating wristwatches, by Patek, now routinely make £25,000-£30,000 as opposed to £70,000-£80,000 in 1989/90.

Undoubtedly, in the late 1980s, speculators were active in the market. Since then greater sense has prevailed.

Sellers are accepting more conservative pre-sale estimates, even at Antiquorum's Geneva sales.

London auctioneers can now boast high success rates - only 7 per cent unsold in Sotheby's March sale, while Christie's sale, also last month, was not too far behind at 14 per cent unsold.

Discernment, rather than investment, is the by-word in the current market. Thus Simon Bull, formerly of Antiquorum, talks of a buyer who spent SF740,000 on a split-action chronograph by Patek - rare because of its steel case, whereas Muller cannot see the rare platinum (one of only three) calendar, moon-phase watch making as much today as the £280,000 it sold for in 1990 in London.

One section of the auction market that has dwindled to nothing is collectable

Swatches. While producers of low-production models such as the Sun King, Swatch 1993 Christmas special (only 1,300 were allocated to the UK market) can see queues on launch day, none of the auction houses are selling second-hand Swatches any longer. This was a speculative market and has proved a flash in the pan.

Auctioneers trumpet sales statistics, but retailers are more discreet. While far eastern buyers took up 14.28 per cent of the March watch sale at Christie's, the east Pacific rim accounts for a significant slice

taste of 10 years ago. There can be resistance to "used" property in Moslem communities.

The Japanese are famous for shopping around before buying. Their view is long-term - and speculation in a "watch market" seems a western pre-occupation.

The inclusion of one of the Garrard's/Patek watches in a London sale will soon show whether there are still occasional quick profits to be made, now that on-sale premiums for rarer Rolex models, such as Daytonas, have all but gone. The pre-sale estimate of up to £6,000 may prove encouragingly conservative, considering that the previous Patek special limited edition watch, the Officer of 1989, repeatedly resells at way over its original offer price, and more than 2,000 of them were issued.

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CLOCKS, WATCHES AND JEWELLERY SURVEY

Clocks begin to tick

Demand is rising and bargains getting fewer, says Antony Thorncroft

The past year or so has seen time hang heavily on the auction trade in clocks; more move briskly for some watches; and positively buzz along for jewels. But there are signs that the era of low, indeed bargain, prices for higher quality antique clocks in the saleroom might be about to pass.

Demand has been brisker at recent auctions, and this should tempt on to the market some of the good clocks which have been waiting for the higher prices to return.

Many people like the idea of owning an antique clock, an impressive 18th century longcase ticking away in their hall, but are deterred by their ignorance and fears about the condition and conservation of such mature specimens. They need not worry. At its last auction, Sotheby's offered 41 longcase clocks dating from the 1720s to 1900 and sold all

but one at prices ranging from £200 to £10,000. A decent Georgian clock can be acquired in the saleroom for under £2,000. A restorer might charge £350 to put the mechanism in working order and repairs might also be needed to the case. But, for less than £2,500, you can have an attractive working antique.

Of course the big names - Tompions, Knibbs, Grahams and Delander - cost much more. Any serious - and rich - collector of antiques should have a clock by the father of British clockmaking, Thomas Tompion, on their buying list. His appeal is international. Working in the late 17th and early 18th centuries he commands a premium over all other makers.

In 1989, a rare blonde wood Tompion sold for £280,000. This was at the peak of the antiques market but even in the doldrums of last June Christie's offered some Tompions and

they all made good prices, with a tiny, 3 1/4in. high, silver mounted ebony bracket clock, probably made for King William III, selling for £441,500, and a table clock for £286,500.

Since then, no important clock has appeared at auction, and the sluggish demand of recent years has made a simple clock by Tompion (almost) affordable.

No Tompions are on offer at the important June auctions in London, but a top dealer such as R A Lee, (now part of Aspreys) could probably supply one for less than £100,000 and a routine bracket clock by Tompion might be acquired for as little as \$40,000. Prices are low mainly because dealers have run down their stocks and are unwilling to start buying again - yet.

French clocks, with a wider range of collectors, are a slightly firmer market, but a 19th century carriage clock can still be bought for £1,000. There is greater interest in the elaborate French Empire mantel clocks, the more unusually decorative the better. Here prices have edged up in the past year or so, but an excellent example should cost less than £4,000.

There are many people who just cannot cope with the antique, with the problems of maintenance. They want the finest craftsmanship, but they want it to be contemporary.

There is at least one British clockmaker still working in the traditional way, with virtually every component made in house. Sinclair Harding, of Cheltenham, makes no more than 20 clocks a year and, at the Basle fair introduced a new model, a skeleton sun and moon clock, plated in gold and priced at around £3,000.

Watches have become the great fashion accessory, a palpable sign of wealth and taste. They are now traded regularly in the salerooms, a service to sellers who want to cash in expensive watches that might seem, to them, dated; or they might have been given a newer model. You can acquire a recent Breguet, Rolex, Cartier, Audemars Piguet or Patek Philippe watch for perhaps half its retail value. An older watch

would be even cheaper.

A good solid pocket watch, a hunter, made in the late 19th century by the celebrated Charles Frodsham, can still be bought for less than £4,000, and will prove a reliable friend and an agreeable heirloom.

In the past year, jewels have become second only to impressionist and modern art as a money spinner for Sotheby's and Christie's. In 1993 Sotheby's brought in \$475m from jewels sales and Christie's \$356m. In 1970 jewels were an insignificant sector.

The great majority of the trade is in stones, mainly diamonds, with a few rich dealers, especially the Saudi Arabian Sheikh Ahmed Fathi, buying the most expensive stones, including the \$11.88m he paid for a 100-carat diamond at Sotheby's in November.

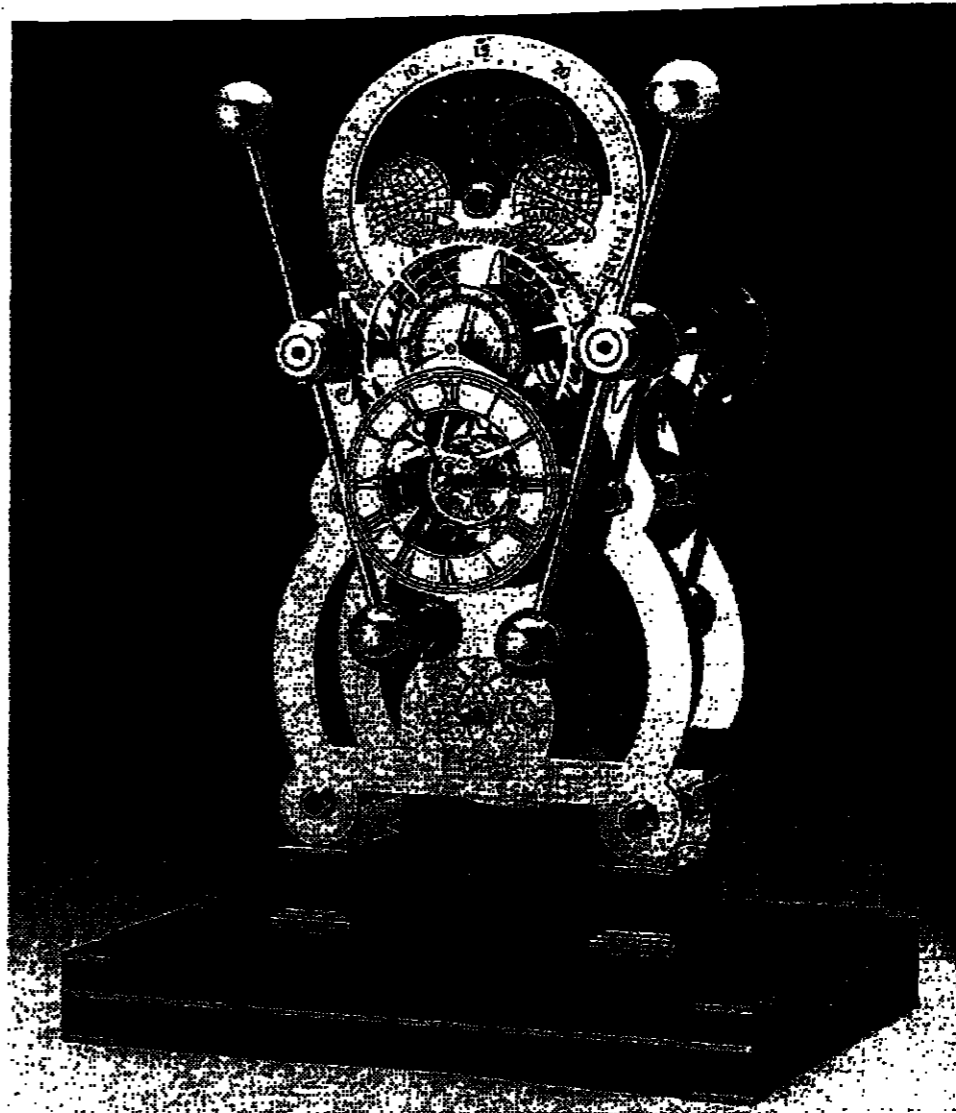
Most of the buyers are Arabs, followed by Chinese and Latin Americans, and there is an undoubted investment element behind the competition of the last two years.

But high prices for stones has a knock-on effect on jewellery. Salerooms have done their best to promote their involvement, stressing that as well as glittery events at Geneva and St Moritz they also hold auctions, such as the evening "Colonnade" events at Sotheby's, the sales at Christie's South Kensington, Phillips and Bonhams, where lots usually sell for £2,000 or less.

More private buyers are daring to take on the dealers in the saleroom and are acquiring jewellery, from 19th century to contemporary, at modest expense.

Although the auction houses offer clocks, watches and jewels at wholesale prices many people still prefer to collect with a dealer holding their hand. Good dealers are keen to offer impartial advice; they guarantee the authenticity and condition of the goods, which is so important with antique clocks; and they will often agree to buy them back.

A specialist clock dealer, such as Anthony Woodburn, of Tunbridge Wells, Kent, also often has its own sources of supply, and can offer a year-round service.



A 'new antique'. A moonphase sea clock, based on John Harrison's horological breakthrough of 1759, made by Sinclair Harding

While English furniture has generally ridden out the recession well, clocks have remained in their specialist ghetto. Why people keen to acquire 18th and 19th century tables and chairs, dressers and desks, should balk at buying an antique clock is not clear. Perhaps their sheer size counts against substantial late 19th century longcase (grandfather) clocks, but bracket clocks, carriage clocks, mantel clocks and lantern clocks and chronometers provide charm and utility.

It is probably the mystery of the inner workings that deters potential collectors. But there has never been a better time to acquire an antique clock, either in the euphoria of the auction house, or after careful consultation with a dealer.

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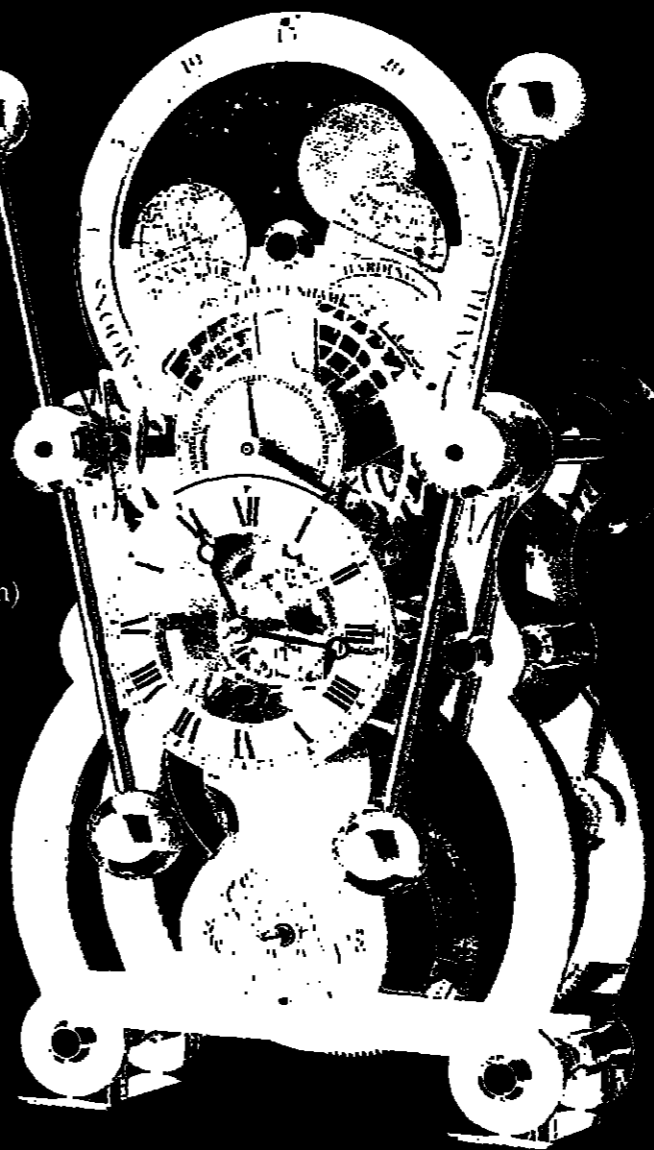
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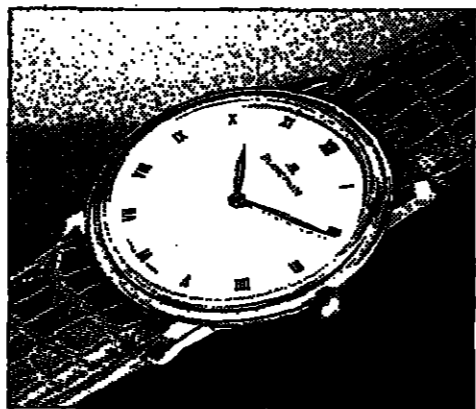
A sale of Fine Jewels and Jewellery for the Collector.

If on the other hand you are thinking of selling, there is still time to enter our October clocks and watches sale. We are particularly interested in Patek-Philippe, Cartier, Rolex, Audemars Piguet and Vacheron Constantin.

Our next jewellery sale is a Colonnade sale in July, and entries for this can be accepted up to mid-May.

For further information on buying or selling at these sales, please contact Tina Millar (Wristwatches) on 071 408 5328, Michael Turner (Clocks) on 071 408 5329, Alexandra Rhodes (Fine Jewels) on 071 408 5311 or Daniela Mascetti (Colonnade Jewellery) on 071 408 5305.

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CLOCKS, WATCHES AND JEWELLERY SURVEY

Since time began, the point of jewellery has been swank and status. After all, who really needs a bit of carbon, even if it is absolutely pure and extraordinarily old?

I know... It is often quite exquisitely made and sometimes the skill and craft is so dazzling that only a museum exhibition all its own will do it justice. But the art is never the real point. It is almost never the chief impulse behind the making and the buying.

Now you might have thought that during the recession, few would have had much inclination, let alone the cash, to indulge in things so fundamentally unnecessary. You would be wrong.

Over at de Beers they are quietly pleased. The last 18 months have been good to diamonds. There have been a few awkward moments when supply vastly outstripped demand and the dreaded quota system (which restricts the number of diamonds that de Beers' Central Selling Organisation agrees to buy from suppliers) had to be brought into play. But recently the performance of diamonds at auction has outperformed all the financial indices (let alone sales of Impressionists and Old Masters) by a wide margin.

At auction, prices in the flawless D stone category have moved from \$28,500 per carat to about \$24,500 a carat. Laurence Graff, who deals almost exclusively in the largest, flawless, most rare, stones (which means that his customers are almost exclusively foreign) has recently bought back for \$30,000 (\$240,000) a five-carat blue diamond that he sold 15 years earlier for \$60,000 a carat.

Last November, in a Sotheby's Geneva sale, a flawless rectangular cut diamond of 100.38 carats earned the sobriquet of the most expensive jewel ever sold, when an anonymous buyer parted with \$8,028,000 to own it.

All this leads to experienced watchmakers to conclude (as if we did not know it) that we live in turbulent times. Sales of stones are far more closely linked to the needs of the rich to have their wealth in a tiny, portable, instantly-accessible form, than it is to the mysterious movements of the romantic heart.

Buyers of these huge investment pieces are supplied mainly by three areas - Saudi Arabia and the Gulf States, Hong Kong, Singapore and Taiwan and Italy - all of which have problems of a sort and many of whose inhabitants would like, if they could, to be able to move themselves and their wealth about at the drop of an invasion or an unsympathetic bit of legislation. These are the buyers who keep up the prices for the purest, finest, biggest gems. As always the motto is that if it is investment and resale value you are want, invest in the best you can afford.

We have only to think of the Romanoffs, the German Jews, the Emir of Kuwait (who packed much of his considerable wealth into a rucksack), to realise that exile with millions in one's overnight case is an infinitely more agreeable prospect than exile with all one's assets left behind.

But while these sort of purchases fuel the headlines and provide a background of glamour and intrigue, it is the humble buyers of more day-to-day jewellery who keep the jewellers in business.

All through the recession the business of living has gone on - deals may have been thin on the ground but troths have been pledged, anniversaries celebrated, babies ushered into the world and important milestones reached. Jewels to celebrate these events provide the bread and butter of the jewellers' business. So even in 1992 (the last year for which figures



Necklace of white gold and apophyllite crystal set with 22 baguette cut diamonds, in all weighing 5.7 carats. Designed by Jul B Dixon of the Philippines and one of the winners of this year's De Beers Diamonds International Awards.

A token of love, a sign of trouble

Lucia van der Post takes a close look at diamonds

are available), when the recession had barely begun to recede, 55m different diamond pieces, worth an average of just under \$750, were bought worldwide.

Take engagement rings - so strong is the custom that in the English-speaking western world, more than 70 brides in every 100 are given a diamond engagement ring.

Standards of design have risen enormously - it is fashionable these days to bash big corporations but it is hard to over-estimate the influence that de Beers' annual international awards have had on diamond jewellery worldwide.

This year's collection of award-winners displays an astonishing range of different techniques, styles and settings. For technique, take the flexible bangle designed by Jennifer Bloy and made by Matthew Cambery which is the winner of the UK section; for styles, compare the romantic, almost old-fashioned diamond and platinum brooch designed by Yuko Nakajima of Japan with the chunky necklace of white gold and apophyllite crystal and diamonds designed by Jul B Dixon of the Philippines.

Nobody, after looking at the dazzling collection (which they will be able to do at Christie's, 8 King Street, London SW1 from May 5-13) could possibly think that the diamond business is moribund.

But jewellers report that while buyers are still there (and indeed never went away) these days they are infinitely more knowledgeable and twice as cautious.

At Asprey of Bond Street, for instance, a boutique collection



Some of The Asprey Sunflower Collection: prices start at £345 for a ring, earrings start at £590

was launched for the first time. A boutique collection is a fancy name for a lower-priced range which its devisers hope will attract not just the eye of a love-lorn suitor but also the hard-earned cash of the successful career girl who buys for herself. The Sunflower collection has been a huge success - partly, it seems, because there are pieces, such as a pair of ear-rings, that cost as little as £350, and partly due to the

interest generated by offering a large new, accessibly-priced range of designs.

Jewellers everywhere report that although the business is there, they have to work harder to get it, that people are more selective and have to be persuaded that they are buying real value. However small the purchase, customers like to know that it is a real carat or proper gold.

At Boodle & Dunthorpe, a jewellery chain that started with shops in Liverpool and Manchester and now has two London stores (one in Knightsbridge and one in Bond Street) they generate interest with exhibitions, with designer promotions and by taking care to offer pieces that, however inexpensive, have something of quality about them.

Tastes have changed - there seems a greater fondness for the more discreet look of platinum, for burnished rather than yellow gold, for simpler pieces that can be worn through the day as well as by night. Stores such as Tiffany, which always have wearable pieces that career girls can buy for themselves and wear from the schoolroom in the morning, through the boardroom meeting and on to the opera or to dinner, have done steady business all through the recession.

A small, but important, sub-market has risen around the popularity of body-piercing with the international young, and diamond studs continue to be among the most popular of jewellery buys.

As always, whether it be restaurants or holidays, cosmetics or jewels, the message seems to be - offer value for money, work hard and listen carefully to the customer, and even in the direst of times, there is business to be done.

Little pieces of old magic

Vivienne Becker considers the continuing allure of antique jewellery

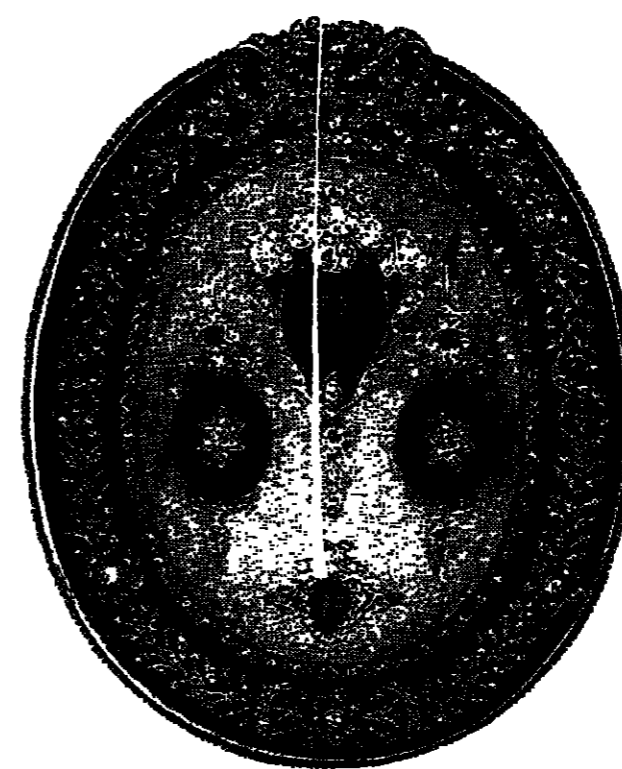
When it comes to buying diamonds and gemstones, investment value and quality are what buyers seem to look for. But when it comes to antique jewellery different considerations come into play.

Jewellery as pure ornament, jewellery for art's sake, seems to be making a comeback. Strong design that reflects of its era, of all periods and styles, fine craftsmanship, inventive use of luxurious materials, and above all, charm, are what canny connoisseurs of antique and period jewellery are searching for; and they are prepared to pay handsomely for these ingredients when they find them. The relentless hunt for quality is more than ever the central theme of the antique and period jewellery market.

Last year was a turning point for fine jewellery at auction. Jewellery appears to have been largely recession-proof, certainly at auction. The problem in the trade has been one of acute shortage of the right goods to appeal to an increasingly discerning clientele. Last year saw a growth spurt, with an influx of fresh goods on the market, all culminating in the well-publicised shattering of world records for diamonds and diamond jewels at the Geneva sales last autumn.

This year looks set to be the year of the jewel rather than the gem, with more emphasis than ever on design, provenance and romance. In fashion terms, jewels of wit and whimsy are taking the place of flamboyant, flashy adornments. Jewellery wearers want individual, meaningful, beautifully made jewels that are reminiscent of their original, magical roles.

The forthcoming Geneva sales point in this direction. The chart-toppers this spring are period pieces rather than rocks: Sotheby's is selling a ravishing high-society collection of Duchess of Windsor look-alike jewels that belonged to Helene Beaumont, the 1930s Riviera raver, masses of superb Van Cleef & Arpels rippling with ribbons of sapphires,



Victorian Jewellery featuring cabochon garnets surrounded by a George II gold mounted miniature frame (£4,750) from Bentley, New Bond Street

emeralds, rubies and diamonds; while Christie's concentrates on classical jewels from a European Royal family; and Phillips parades a dramatic 1920s Egyptian revival Cartier creation.

It is a trend that is permeating all levels of the market, from the top to the middle range of collectable, wearable decorative accessories, where, for example, 19th and 20th century jet and amber jewels, long rows of soft-toned beads, antique crosses, all totally à la mode are being snapped up by fashion followers.

In the realm of the true collector's item, selectivity rules. Only the best and the rarest will do, and preferably with an impeccable background, collectors would rather bid their time, saving their money for the big one.

At Bonhams at the end of last year, prices for jewels by Victorian art-jeweller, Carlo Giuliano went through the roof, as hungry buyers, chasing

fresh goods with an unimpeachable lineage, paid more than twice the generous estimates for purest Giuliano style: a star sapphire, enamel and diamond parure reckoned at a generous £20,000 to £30,000 made a staggering £46,200.

Although a name alone is not quite enough these days, a jewel has to stand up for itself. Customers are still generally prepared to pay a premium for a good signed piece. Cartier is still the magical name, synonymous with a lost and longed-for era of gracious, glamorous living. Van Cleef & Arpels packs a pretty good punch too, each jewel a blissful package of superb gemstones and haughty high-fashion.

Boucheron, Chaumet and the grand jewel houses are also seen as evocative seals of quality and style, although slightly less well known names are creeping up, particularly Ladoche and Osterag of Paris, both known for 1920s and 1930s rich, orientalist opulence; Mau-

bousin, who epitomises the 1940s; and Sterlé's energetic animals and wild birds with shaggy gold chain manes, wings and tails which typify the look of the 1950s.

The baroque and rococo creations by high-society jewellers Verdura and Schlumberger, the genuine originals from the 1940s to the 1960s, are rare and prized by collectors as 20th century classics. The designer jeweller age of the 1960s is slowly attracting a more appreciative audience, names to conjure with include Grima, the British designer of prickly explosions of gold and crystals, or David Webb, instigator of the chic Jackie Kennedy image, all green enamel frogs and door knocker lion's heads bangles.

Fashion is influencing trends in the period jewellery market: crosses, particularly Chanel-style Maltese crosses and Edwardian and Art Deco cufflinks are selling well, and the Japanese have a penchant for pretty bejewelled pocket watches. The pins with all sorts of interesting and unusual motifs and gemstones, worn as lapel pins by women, or several at a time on a waistcoat, provide a relatively inexpensive introduction to antique and 20th century jewellery.

Sandra Cronan of Burlington Arcade, who sells decorative wearable jewellery, medieval to mid-20th-century, sees a trend towards rich gold Victorian jewellery set with stones such as amethysts and caruncle garnets.

"People are more positive and confident now," she says, "daring to wear bigger and bolder antique jewellery in order to make a statement."

Animals and insects are more popular than ever, from a delicate Regency coloured-gold butterfly, symbol of the soul, to a little pair of Edwardian owls on a crescent moon and a 1940s bird of paradise in shrieking colours. Charm, apparently a rare commodity these days, with a generous dollop of sentimental symbolism, sells every time. Perhaps it shows a new recognition of the universal need to have small, personal, magical or amuletic objects around us.

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